Private Debt Intelligence – 10/15/2018

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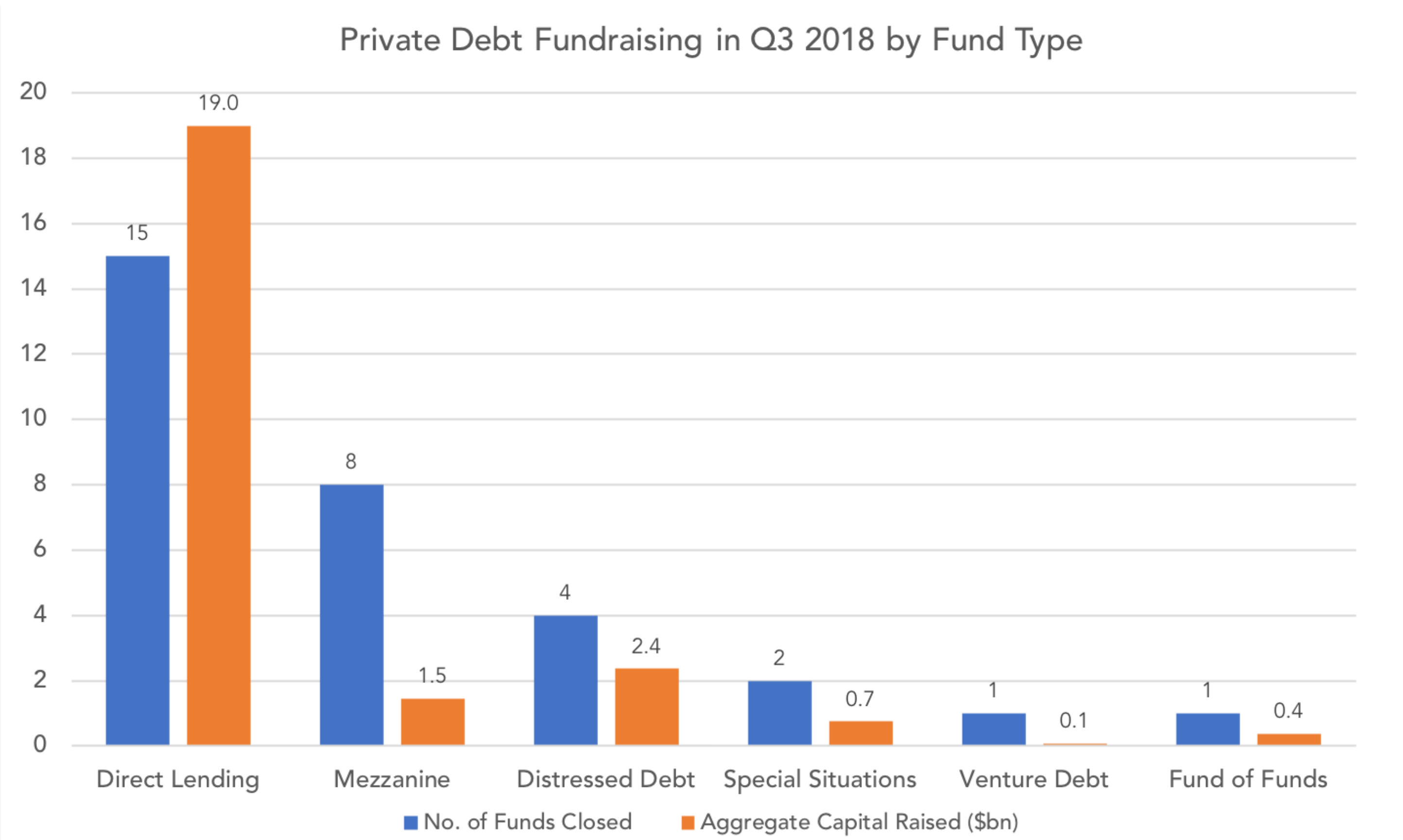
Direct Lending Sees Banner Q3

Chart



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Although private debt fundraising activity slowed in Q3 2018, with the quarter recording 31 funds holding a final close and securing a total of $24bn in capital, direct lending had a banner quarter. In Q3, four distressed debt vehicles raised $2.4bn, eight mezzanine funds raised $1.5bn and 15 direct lending funds raised $19bn. This brings the average direct lending size to $1.3bn – the largest average size for a direct lending fund of any quarter in the last five years. The average size of a direct lending fund in Q2 was $688mn and the average size in Q1 was $548mn.

The spike in the average fund size for a direct lending vehicle in Q3 was in part helped by the closing of Ares Capital Europe IV which raised $6.5bn. This fund became the third-largest direct lending fund ever, after GS Loan Partners which secured $11bn in 2008 and Broad Street Loan Partners III which closed on $9.8bn in 2017. Ares Capital Europe IV was also the largest private debt fund to close this quarter. In fact, direct lending vehicles accounted for seven of the 10 largest private debt funds closed in Q3. Together, these seven funds raised just under $18bn.

By contrast, mezzanine fundraising plummeted this quarter. In Q2 2018, eight mezzanine funds raised $15bn. This large amount of capital was mostly due to the closing of GS Mezzanine Partners VII which raised $13bn, becoming the largest private debt fund ever raised. However, in Q3, eight mezzanine vehicles raised just $1.5bn. The private debt strategy hasn't seen such low quarterly fundraising levels since Q3 2014 when 13 mezzanine funds only raised $1.0bn. Despite such low quarterly fundraising levels, 34 mezzanine funds have closed in Q1-Q3 2018 raising $23bn – already surpassing all of the capital raised by the strategy in 2017, when 42 funds secured a total of $12bn.

Contact: Naomi Feliz
Naomi.Feliz@preqin.com